

**KINGSMAN RESOURCES INC.**  
**MANAGEMENT DISCUSSION & ANALYSIS**  
**For the Six Months Ended June 30, 2010**

**DESCRIPTION OF BUSINESS**

Kingsman Resources Inc. (the Company) is a development stage company engaged in the business of acquiring, exploring and, if warranted, developing mineral resource properties and placing such properties into production. The Corporation holds interests in three mineral properties in British Columbia. None of the Corporation's properties contain a known ore body. The Corporation owns no producing properties and, consequently has no current operating income or cash flow. Operations are primarily funded by equity subscriptions. Currently the Company is concentrating its efforts on its three properties located in British Columbia. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol KSM. The effective date of this report is August 20, 2010.

**SELECTED FINANCIAL INFORMATION**

	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	0	0	0	0	0	0	0	0
G&A Expenses	39,917	46,862	83,739	69,928	90,201	65,027	84,036	69,686
Option Benefits	0	0	0	0	53,971	0	0	0
Property Write-off	0	0	0	0	0	0	0	0
Income Tax Recovery	0	0	0	0	0	0	0	0
Net Loss(Gain)	39,917	46,862	83,739	69,928	144,172	65,027	84,036	69,686
-per share	.00	.00	.01	.00	.01	.00	.00	.00
-per share-diluted	.00	.00	.01	.00	.01	.00	.00	.00
Total Assets	1,310,926	1,311,281	1,331,061	1,147,953	1,193,997	1,280,460	1,363,271	1,407,691
Liabilities(L.T.)	0	0	0	0	0	0	0	0
Cash Dividends	0	0	0	0	0	0	0	0
Working Capital(Deficiency)	92,229	139,647	188,257	18,266	140,967	263,559	344,764	633,916
Resource Property Expenditures	7,501	1,748	52,016	52,773	20,892	16,177	351,714	306,757
Share Capital:								
-Authorized	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
-Outstanding	27,126,435	27,126,435	27,126,435	21,426,435	21,294,435	21,294,430	21,296,430	21,221,430
-Warrants	4,080,000	4,080,000	4,080,000	6,341,000	8,341,000	8,341,000	8,341,000	8,341,000
-Options	1,400,000	1,400,000	1,400,000	2,120,000	1,670,000	1,670,000	2,250,000	2426,470

**Parts 2 - 4 of the notes to the audited financial statements indicate the accounting principles under which the financial data has been prepared. In summary, the Company's results are measured in Canadian dollars using Canadian Generally Accepted Accounting Principles (GAAP).**

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**SELECTED ANNUAL INFORMATION**

	Years ended December 31		
	2009	2008	2007
Revenues	0	0	0
G & A Expenses (including option benefits)	362,866	286,659	438,155
Net Loss (Gain)	362,866	286,659	838,516
Per share- basic and diluted	(.02)	(.01)	(.05)
Working Capital (Deficiency)	188,257	344,764	1,145,092
Total Assets	1,331,061	1,363,271	1,495,820
Deferred Resource Property Expenditures	141,858	784,112	639,491
Liabilities (L.T.)	0	0	0
Cash dividends	0	0	0

**RESOURCE PROPERTIES**

**Note:** For a more complete history of the work and commentary on the resource properties, readers are referred to the Company's website at [www.kingsmanresources.com](http://www.kingsmanresources.com).

**International Basin Property**

In 2007, the Company was granted an option to acquire a 100% interest in the International Basin Property located 35 kilometres south of Golden, British Columbia, in the Slocan and Golden Mining Divisions. Twenty-four mineral tenures have been acquired since commencement of the option agreement. One mineral tenure was forfeited during the year, leaving 23 tenures.

The Company has performed a full review of the gold, silver, copper, lead and zinc values in rock samples from its International Basin property located in the northern Purcell Mountains, at the headwaters of Bobbie Burns Creek, south of Golden, British Columbia, and presents a geologic model for ore controls on the property. This review expands on the results announced in the December 2, 2008 news release and can be found on the Company website at [www.kingsmanresources.com](http://www.kingsmanresources.com).

The Property was worked from 1883-1900 when the silver price collapsed; numerous legal suits stopped it until 1920. It closed again in 1923 and was mostly forgotten until Kingsman picked it up in 2007. In minfile under author (Haggen) the 1927 file (56 pages) can be found. When we found the file we did not have the map for the first year unfortunately. The report stated gold to 3.5 oz and silver to 283 oz. Our task has been to try and duplicate their results to bring the property to the next level.

The system at International Basin is 7 km by 1 km and contains Au, gold, silver, copper, lead and zinc. Years 2007-2008 have generated approximately 1000 samples consisting of 500 rock 400 soils and 100 channel samples. The highest gold was 4.28 oz. The silver runs to 63 oz, copper 10+%, lead to 50% and Zinn to 60%. The galena runs silver and lead as well as gold uncommon to the area.

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New overage assays for rock samples from the International Basin Property indicate significant concentrations of copper, lead and zinc to go along with the gold and silver results reported previously. Samples from the zone include samples up to 19.2% copper, up to 62% lead, and greater than 30% zinc. The Company has compiled sample data into a sophisticated Geographical Information System (GIS) in its continuing effort to establish a comprehensive database suitable for advanced planning and modeling.

The combination of size of the mineralizing system and locally very high metal concentrations suggest that significant mineral potential exists on the property. Earlier, the company reported results yielding 4.23 oz/t gold and 46grab samples exceeding 5 grams per tonne gold. Silver values ranged up to 63.9 oz/t.

The veins on the IB property occur within a large fold (west-verging anticline) of quartz grit. Mineralized veins occur within a variably altered zone up to 1 km wide and 7 km long. This large alteration footprint is defined by significant iron-carbonate and sericite.

Dr. Bob Thompson, formerly of the Geological Survey of Canada's Pacific Division, has interpreted a causal relationship between folding, focused fluid flow, vein development and emplacement of precious and base metals at the International Basin property. The model is further illustrated in a talk Dr. Thompson gave recently at the KEG conference in BC, and which also is available on Kingsman's website.

The Company's exploration plan for the International Basin property is:

- construct and complete a 23 km exploration trail to enhance access to the property;
- additional systematic sampling, including trenching, 3,000 - 5,000 meters of drilling and possible bulk sampling; and
- additional prospecting of outlying parts of the property.

These plans have been delayed by a prolonged permit application process. The Company has addressed the objections raised by third parties. At the time of writing, we are addressing the permitting stipulations. Unfortunately, the delays have pushed 2009 plans into 2010.

### **Luxor Moly Property**

In 2007, the Company was granted an option to acquire a 100% interest in the Luxor Moly Property located 28 kilometres northeast of Barriere, British Columbia, in the Kamloops Mining Division. Thirty-one mineral tenures have been acquired since commencement of the option agreement. Fourteen mineral tenures were forfeited during the year leaving 17 tenures.

The Company, encouraged by the fact that mineralization of appreciable grade was intersected in three of the four holes drilled in 2007 and by the fact that the mineralization locally displays significant widths, ran an expanded exploration program in 2008 that included soil sampling and mapping, a 50 line-km grid, and an Induced Polarization and magnometer survey. Further encouragement has been provided by the positive results of a winter biogeochemical survey that was undertaken on the property. The biogeochemical work outlined several new anomalies and also returned anomalies in areas of known molybdenum mineralization.

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At time of writing the Company is building a 1.8 kilometre exploration trail which should be completed in September to be followed by a drilling program (up to 3,000 meters). Drilling is expected to provide additional evidence of the size and grade of the prospect.

The Company ceased trail construction on July 26, 2010 due to high risk of forest fires and expects to start drilling operations in September when the risk is reduced. Previous drill access construction at the Luxor project uncovered molybdenum bearing altered granitic rocks over approximately 200 metres in newly exposed rock cuts. Molybdenite occurs as fine disseminated grains within the intrusive rocks and importantly within quartz veins with pyrite. Coarse aggregates of molybdenite are seen both as selvages to and within quartz veins. Selected samples of quartz vein material returned up to 2.59% Mo. These molybdenum exposures occur within a cohesive soil geochemical anomaly measuring approximately 1 kilometre long by 100 to 450 metres wide.

During trail construction, some outcrop was exposed within the main soil geochemistry anomaly. Rocks here are altered granites with weak to moderate sericite accompanied by minor disseminated pyrite, some disseminated molybdenite and traces of chalcopyrite. Limonite, sericite and clay are developed along fractures and joints in the granite. Most importantly, northerly trending quartz veinlets containing coarse grained molybdenite and pyrite are also seen. The discovery of these quartz veins in addition to disseminated molybdenite in the altered granite validates the exploration premise of trail construction through the geochemistry anomaly and provides geologic guidance for the upcoming drill program.

### **Pathfinder Property**

In 2007, the Company was granted an option to acquire a 100% interest in the Pathfinder Property located 20 kilometres north of Grand Forks, British Columbia, in the Boundary Mining Division. Fifteen mineral tenures have been acquired since commencement of the option agreement. Three mineral tenures were forfeited during the year leaving 12 tenures.

There are numerous old workings in the northern portion of the Pathfinder property. Three mineral zones known to occur on the mineral property are referred to as **Pathfinder**, **Diamond Hitch** and **Little Bertha**. The Pathfinder and Diamond Hitch zones located approximately 1 kilometre apart consist of massive gold-bearing sulphides (mainly pyrite and pyrrhotite with some chalcopyrite) hosted in altered volcanic and sedimentary rocks. The Little Bertha zone lies about 1 kilometre northwest of the Pathfinder zone and consists of a northerly trending, gold-bearing mesothermal quartz vein(s), 1-2 metres in width hosted by intrusive rocks.

In October, the Company completed a 985 metre, 17 hole diamond drill program. Drilling focused on two targets, Pathfinder and Diamond Hitch, with fifteen holes completed at Pathfinder and two holes completed at Diamond Hitch. At Pathfinder, the drilling targeted several areas of gold-copper skarn-type mineralization which had previously returned up to 4.49 grams/tonne gold across 9.5 metres in trenches (see News Release dated July 14, 2008).

The polymetallic nature (gold-copper-silver, locally significant molybdenum and tungsten) of the semi-massive to massive sulphide mineralization and the opportunity it affords to build significant tons at significant grades makes the Pathfinder target particularly attractive. Its potential is best exemplified by an intersection of 17 metres of 1.1 g/T gold (0.032 oz/T), 10.2 g/T silver, and 0.37% Copper in DDH PF08-13, as well as by supportive and significant intersections in many of the other holes (including the three closest holes to PF08-13). These intersections correlate well with mineralization exposed in the nearby trenches at the Pathfinder.

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The favorable regional setting of the Pathfinder property, including zones of known mineralization with good gold grades as well as multiple unexplored and under-explored target areas combine to make the Pathfinder an attractive land package. Based on the encouraging results, the company is planning further work, which may include both ground and airborne geophysics, further trenching, and diamond drilling.

**OPERATING RESULTS, FINANCIAL CONDITION, LIQUIDITY AND SOLVENCY**

- The net loss for the six months ended June 30, 2010 was \$86,779 compared to a loss of \$209,199 for the same period in the previous year. Costs were mostly in line with the previous year with the following exceptions: salaries and consulting fees of \$46,000 (2009 - \$64,736) were lower, stock based compensation was \$nil (2009 - \$53,971) as no new options were granted, and investor communications expenses of 3,602 (2009 - \$38,826) were lower due to cash constraints.
- Costs for the six months ended June 30, 2010 for the work programs on the Luxor, Pathfinder and International Basin totalled \$9,249 compared to \$37,069 during the same period last year. Permit holdups resulted in little work on the International Basin property this year.
- The net loss for the three months ended June 30, 2010 was \$39,917 compared to a loss of \$144,172 for the same period last year. Costs were mostly in line with the previous year and consistent with the results for the six months ending June 30, 2010. Salaries and consulting fees of \$22,000 (2009 - \$37,018) were lower, stock based compensation was \$nil (2009 - \$53,971) as no new options were granted, and investor communications expenses of 1,588 (2009 - \$26,054) were lower due to cash restraints.
- At June 30, 2010, the Company's working capital was \$92,229. The Company's continuing losses and ongoing overhead and resource property investigation costs bring into question the Company's ability to survive as a going concern if it is unable to secure adequate financing.
- The ability of the Company to successfully acquire properties in the resource sector is conditional on its ability to secure financing when required. The Company proposes to meet any additional financing requirements through the exercise of outstanding stock options and warrants or arranging equity financing. In light of the continually changing financial markets, there is no assurance that funding by equity subscriptions will be possible at the times required or desired by the Company.
- **Table 1. General and Administrative Expenditures**

	2010		2009				2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Regulatory	3,260	8,472	1,100	1,489	5,816	6,289	9,307	3,467
Investor Relations	1,588	2,014	6,326	4,015	26,054	12,772	7,522	21,237
Accounting/Legal	9,000	9,000	36,510	15,118	9,000	12,650	39,503	9,000
Salaries/consulting fees	22,000	24,000	32,019	37,018	37,018	27,717	20,750	7,500
Stock compensation	0	0	0	0	53,971	0	0	0
Office	2,546	2,883	5,109	4,283	4,678	4,666	9,134	3,035
Travel	1,523	493	2,735	10,125	6,821	1,513	5,863	21,870
Other	0	0	(60)	(2,120)	(930)	(580)	(8,043)	3,577
<b>Total</b>	<b>39,917</b>	<b>46,862</b>	<b>83,739</b>	<b>69,928</b>	<b>144,172</b>	<b>65,027</b>	<b>84,036</b>	<b>69,686</b>

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- As at August 20, 2010 the Company's share position is as follows:

	<b>August 20, 2010</b>	<b>June 30, 2010</b>	<b>December 31, 2009</b>
Shares	27,126,435	27,126,435	27,126,435
Options	1,400,000	1,400,000	1,400,000
Agent's warrants	180,000	180,000	180,000
Warrants	<u>3,900,000</u>	<u>3,900,000</u>	<u>3,900,000</u>
Fully Diluted	<b><u>32,606,435</u></b>	<b><u>32,606,435</u></b>	<b><u>32,606,435</u></b>

### **CORPORATE ACTIVITIES**

- The Board is structured as follows:
  - Robert McLaughlin - President
  - James G. Stewart - Audit Committee Member
  - Boyd Hardwicke - Audit Committee Member
  - Jeanette Hutchinson - Secretary and CFO
  - Edward (Ted) Drummond - Audit Committee Member
- The Company held the Annual General Meeting on June 30th, 2010 with all items on the agenda passed.

### **INVESTOR RELATIONS ACTIVITIES**

- The Company's shareholder information is handled in house by directors of the Company.

### **CHANGES IN ACCOUNTING POLICIES**

- There have been no changes in the accounting policies other than those already disclosed in Note #3 (p) of the consolidated financial statements.
- International financial reporting standards ("IFRS"):** In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. To meet the change over date, the Company is required to issue its first IFRS compliant Financial Statements for the year ending December 30, 2011. To provide comparative information, an opening Balance Sheet will be necessary on January 1, 2010. Management has addressed this issue by researching methods to identify the items materially impacted on the Company's financial statements. The Company is also evaluating the impact of adopting IFRS. The analysis will be completed and a plan to implement the conversion will be devised before Q3 of the 2010 fiscal year. Management expects to complete the conversion in Q4 of the 2010 fiscal year and believes it has the necessary financial expertise and resources available.

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**FINANCIAL INSTRUMENTS**

The Company has classified its financial instruments as follows:

- The Company classifies its cash as held-for-trading.
- The Company classifies its reclamation deposits as loans and receivables.
- Accounts payable and accrued liabilities are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

**CRITICAL ACCOUNTING ESTIMATES and OFF-BALANCE SHEET ARRANGEMENTS**

- None.

**DISCLOSURE CONTROLS AND PROCEDURES**

- Management is responsible for establishing and maintaining disclosure controls and procedures for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

**SUBSEQUENT EVENTS**

- On August 9<sup>th</sup> the Company granted a total of 1,330,000 incentive stock options. Subject to the approval of the TSX Venture Exchange, each stock option is exercisable into one common share of the company at a price of ten cents per share for a period of five years. Of the options being granted, a total of 720,000 are being granted to directors and officers of the company.

**ADDITIONAL INFORMATION**

Additional information about the Company can be found on [www.sedar.com](http://www.sedar.com) and [www.kingsmanresources.com](http://www.kingsmanresources.com).